GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1886
ANSWERED ON:29.11.2007
SUBSIDY ON THE PETROLEUM PRODUCTS
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the details of subsidy being provided on the petroleum products, item-wise, as on date, State-wise;

(b) the expenditure incurred as a result thereof during the last three years, year-wise;

(c) whether the Government proposes to minimise the subsidy in the near future in a phased manner and allow prices of fuel be fixed at par with the market rates; and

(d) if so, the details thereof?

Answer

MINISTER OF PETROLEUM AND NATURAL GAS (SHRI MURLI DEORA)

(a)to(d): The Government is administering the PDS Kerosene and Domestic LPG Subsidy Scheme, 2002 through which the Public Sector Oil Marketing Companies (OMCs) were being paid subsidy at 1/3rd level of 2002-03 at a flat rate from the Union Budget i.e. at the rate of Rs.22.58 per 14.2 kg Domestic LPG cylinder and Re. 0.82 per litre PDS Kerosene. The Government has extended the subsidy scheme at the same rates upto 31.3.2010.
The rates of subsidy under the Scheme have been worked out separately for each depot/bottling-plant and subsidy is provided on the actual sales of PDS Kerosene and Domestic LPG made at the depots/bottling-plants. In case of PDS Kerosene, the subsidy is limited to the state-wise allocations.

Subsidy paid by the Government during the last three years for PDS Kerosene and Domestic LPG is given below:

Rs./Crs.
Year
SKO
LPG
Total

2004-05
1146.67
1783.64
2930.31

2005-06
1057.2 2
1604.77
2661.99

2006-07
969.67
1554.09
2523.76

As passing on the entire impact of the steep increase in the oil prices to the consumers would have resulted in hardship to the common man, the retail selling prices of petrol, diesel, PDS Kerosene and domestic LPG have not been increased in tandem with the international oil prices and Government continues to provide subsidy support to PDS Kerosene and Domestic LPG.
The Government has adopted the principle of equitable burden sharing between the Government and the oil PSUs to protect the interest of vulnerable sections of society. In this context, Government had issued oil bonds to the extent of Rs. 11,500 crore and Rs. 24,121 crore during the years 2005-06 and 2006-07 respectively to OMCs as part of compensation for the under-recoveries incurred by them. For the year 2007-08, Government has approved the issuance of oil bonds to the tune of 42.7% of total under-recoveries. The upstream oil companies have also contributed Rs. 14,000 crore and Rs. 20,507 crore during the years 2005-06 and 2006-07 respectively and Rs. 8,788 crore during the period Apr-Sep'07, by offering discounts on crude oil and petroleum products. The prices

of sensitive petroleum products are fixed by the OMCs in consultation with the Government.